

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORPORATION)	CASE NO.
FOR CERTIFICATE OF CONVENIENCE AND)	2011-00432
NECESSITY)	

ORDER

Kenergy Corp. (“Kenergy”) filed an application on October 31, 2011 for a Certificate of Public Convenience and Necessity (“CPCN”) to accelerate the replacement of failing A. B. Chance manufactured cut-outs (fuse holders) throughout its electric distribution system. In 2010, the Commission issued an order approving Kenergy’s 2010-2013 Construction Work Plan (“CWP”).¹ The CWP included a category of construction expenses listed as the replacement of miscellaneous conductors and identified as Rural Utilities Service (“RUS”) Code 608 items. In the instant case, Kenergy is requesting to amend its CWP to reflect a change in one of its Code 608 projects in order for Kenergy to implement the accelerated replacement of the above-mentioned defective cut-outs.

BACKGROUND/DISCUSSION

The A. B. Chance manufactured cut-outs that are the subject of replacement were installed by Kenergy between 1989 and 1998 in the Kenergy service territories of

¹ Case No. 2010-00110, Application of Kenergy Corp. for a Certificate of Convenience and Necessity Authorizing Certain Proposed Construction Identified as the 2010-2013 Construction Work Plan (Ky. PSC June 22, 2010).

Daviess, Hancock, Henderson, Livingston, Lyon, Caldwell, Hopkins, McLean, Muhlenberg, Ohio, Webster, Breckinridge, Union and Crittenden counties. There were 7,537 cut-outs originally installed, of which 1,575 have failed and required replacement over the last 10 years.² The negative impact of these failures has resulted in longer outages than would be necessary for similar, typically planned maintenance. Another negative impact is a high per-incidence cost of approximately \$1,010 per cut-out failure. The calculation of the high cost of past failures, a total of \$1,590,750, is primarily due to the crew overtime required for 66 percent of the cut-out replacements and the number of pole fires resulting from failures, averaging 50 poles per year that required replacement. In addition, the failure rate of these vintage cut-outs seems to be increasing, with the failure rate in 2008 at 1.54 percent, in 2009 at 2.24 percent and, in 2010, 2.41 percent.

If the cut-outs are allowed to continue to operate until each of the units fail, the estimated cost to replace them on an emergency basis will be \$6,020,863.³ Following a more proactive course of an accelerated systematic replacement of the cut-outs pursuant to this application, under a regular and normal planned work schedule, the total cost is estimated to be \$1,872,068.⁴

While some customers will experience power outages during the installation of cut-out replacements, the replacement crews have illustrated during their trial efforts

² Kenergy Application, page 2.

³ Kenergy Application, page 2.

⁴ Kenergy Application, page 1.

that the duration of the scheduled outages can be reduced to approximately 19 minutes per cut-out.⁵ Since the outages would be planned and under more controlled circumstances, customers can be notified of this impending service interruption.

As part of the accelerated cut-out replacement program, there will be a recycling program through Dahl & Groezinger, Inc. to address the possibility of negative environmental concerns.

Kenergy stated in its application that it would use two in-house cut-out replacement crews. Since filing the application, Kenergy has determined that only one two-person crew would need to be dedicated to the replacement program. During the trial period, it was determined that the replacement time per cut-out could be reduced to the point where one proficient crew could maintain the program's original schedule and its duration of approximately 1.8 years.

The application indicates that 27kV rated cut-outs have been selected to replace the 15kV rated cut-outs, except in instances where there are space limitations on the pole requiring the use of the smaller 15kV cut-outs. There does not appear to be any disadvantage to the switch in the size and rating of the cut-outs. Also, the polymer- or silicone-bodied cut-outs will be the type chosen to replace the porcelain body type. The non-porcelain cut-outs have a longer expected life, are lighter in weight, less fragile during installation and operation, and appear more reliable with a lower failure rate than the porcelain cut-outs.

Kenergy's 2010-2013 Construction Work Plan capital budget will not be increased for this project due to the fact that other projects will be displaced during that

⁵ Kenergy Application, Exhibit A, Power Point Slide 6.

period to allow for this Code 608 replacement. Kenergy states that its intention is to finance this Code 608 component replacement by expending funds from its capital budget.

FINDINGS

Based on the application and being otherwise sufficiently advised, the Commission finds the construction that Kenergy proposes is needed to adequately provide service to its customers, would not result in wasteful duplication of facilities, and should be approved. The Commission also finds that, if the final construction exceeds the scheduled 1.8-year replacement period and/or 10 percent of the estimated cost, Kenergy should file sufficient information with the Commission to explain and justify the additional time and/or cost. Also, during the installation period, Kenergy should file with the Commission an annual progress report on the proactive cut-out replacement program summarizing the details and level of goal achievement during that year.

IT IS THEREFORE ORDERED that:

1. Kenergy is granted a CPCN to replace the identified cut-outs on an accelerated schedule as proposed and described in its application.
2. Kenergy shall file an annual progress report on the cut-out replacement program. If the final construction cost or schedule of the replacement exceeds 10 percent of the estimated cost or time, Kenergy shall file with the Commission, within 30 days, sufficient information to explain and justify the additional costs and time.
3. Any documents filed in the future pursuant to ordering paragraph two herein shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission

ENTERED ^{JA}
JAN 24 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

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